IN DEFENCE OF THE CROW'S NEST PASS GRAIN RATES

Submission of

United Grain Growers Limited

to the

ROYAL COMMISSION ON TRANSPORTATION

Winnipeg, Manitoba,
January, 1950.

THIS SUBMISSION to the Royal Commission on Transportation was presented on March 27, 1950, by Mr. J. E. Brownlee, President of United Grain Growers Limited, on behalf of the Company.

It was made because of a recommendation by the Canadian Pacific Railway that the export grain rates in Western Canada, instead of being statutory, should be transferred to the jurisdiction of the Board of Transport Commissioners.

In this submission, the Company shows the impelling reasons of national policy which called for, and still call for statutory regulation of the export grain rates.

Submission of

United Grain Growers Limited

to the

Royal Commission On Transportation

1. United Grain Growers Limited is the oldest farmer-owned commercial organization in Western Canada. It is principally engaged in handling grain. It operates some 625 country elevators, with terminal elevators at Port Arthur and at Vancouver. It has approximately 40,000 farmer members in the Prairie Provinces. It owns and controls "The Country Guide," a monthly magazine devoted to agriculture, with a circulation of over 200,000 copies, going mainly into farm homes on the Prairies. Established in 1906, it has for more than forty years been part of the farm movement of Western Canada and has been recognized as an accredited spokesman on behalf of Western agriculture, particularly with respect to matters affecting the production, handling and marketing of grain.

2. We appear before you to oppose the proposal of Canadian Pacific that your Commission should recommend amendments to the Railway Act which would do away with the Crow's Nest Pass rates as fixed by agreement and confirmed by statute, and thus place all grain rates under the Board of Transport Commissioners.

The principle of excluding these grain rates from the jurisdiction of the Board of Transport Commissioners and of regulating them by statute has over a half century become firmly established in the national policy of Canada

in relation to the development of Western agriculture. We suggest that your Commission would require convincing evidence of very substantial danger to the public welfare before recommending that an end be made to this historic national policy.

Canadian Pacific in Paragraph 7 of its Outline Submission protests that neither Parliament nor the Governor-in-Council should provide the arenas in which questions primarily for the administrative tribunal are argued and disposed of.

The fact is that historically Parliament has provided the arena in which the question of such rates has been argued and disposed of. The whole history of the development of Western Canada and of the contribution of the grain growing industry of the Prairies to the economic welfare of all Canada provides justification for that fact. Certainly no change from the present statutory control of export grain rates is possible without throwing the whole question into the arena of Parliament for decision.

3. The proposal raises an issue of vital importance to every producer of grain on the Prairies. Instead of enjoying, as at present, Parliamentary protection of grain rates, designed to encourage production and increase purchasing power over the Prairies, farmers would face the certainty of substantial increases in grain rates based primarily on the alleged over-all need of the railways for greater revenue. Appendix I hereto sets out the existing rates from a number of points in the Prairie Provinces, to Fort William and Vancouver. It requires but a glance at that exhibit to realize the additional direct levy that would be made on every producer of grain by an increase of from 30 to 50 per cent. The proposal comes at a time when prices of farm products have started to decline and when there is considerable apprehension of loss of overseas markets for

some farm products. It has become a matter of extreme concern to Western farmers.

4. The rates in question apply substantially on grain for export. Upon that fact rest both their importance to grain producers, and the justification for control by Parliament.

In practice it has continuously been recognized that grain consigned to the lakehead enters export channels at that point. Its value is determined there, on the basis of factors which govern export prices. Most of it is actually exported from Canada, although a portion will move for domestic consumption in Eastern Canada. The cost of transportation to the lakehead is entirely borne by the producer. He must absorb that cost in order to sell his grain on the basis of export prices at that point, and he does so whether he sells his grain in store in a terminal elevator there or upon delivery at a country elevator in Western Canada. The whole structure of the Western grain trade and of grain prices has been built upon that principle. The principle is the same when grain is consigned to Vancouver for export.

5. The economy of the Prairie Provinces is built primarily upon the production of grain for export. That is the basic fact upon which this presentation rests.

The Provinces of Manitoba, Saskatchewan and Alberta, together with the Peace River district of British Columbia, include a great agricultural area which has been developed, mainly during the past half century, as a result of a delib-crate national policy. That development has been based and still rests upon agriculture—an agriculture essentially export in its nature for the simple reason that only by export can a market be found for its products. Soil and climatic conditions over most of the area lend themselves peculiarly to grain growing. The extent of other branches of farming is limited not only by natural conditions but

also by markets. The great bulk of grain produced must be exported as grain. Only limited quantities can be marketed in the form of livestock products, or even as flour. The Prairie farmer must typically be a grain producer and one producing for export. Wheat has been, and still is, the most important grain, although under special conditions prevailing during recent years, there has been considerable export of oats, barley, rye, and flax. Wheat has thus been directly the foundation of the economy of the West.

It has also contributed very greatly to the economy of Canada as a whole. Much has been written to show its importance to Canadian industrial development as well as to show that the economic and political structure of Canada has largely been built up in relation to its production and export. Expansion of industry in Eastern Canada was in large measure a consequence of the opening of the West and its development since the beginnning of the century. Wheat has provided the primary reason for enormous investments of capital in Canadian transport, industry and agriculture. Crop conditions in the West are annually the subject of anxious scrutiny in other areas and crop returns affect business conditions throughout Canada.

One other fact about Western agriculture needs to be stressed. In spite of the great wealth it has produced over a period of years, its income is extremely variable. Low prices in depression years affect it more severely than is the case with most segments of the national economy, while extreme climatic variations bring about alternate periods of good and of poor crops. That variability of income is vividly illustrated in some figures published by the Royal Commission on Dominion Provincial Relations.* The net cash income of Saskatchewan agriculture for the year 1928 is

---

**National Income,* Appendix 4—of the *Report of the Royal Commission on Dominion Provincial Relations,* Page 86.

shown at 220.2 million dollars. Contrasted with that figure are net cash losses for the years 1931-32. Net cash income increased during the next few years to 55.8 million dollars in 1936. Recent years have again provided high annual cash income for the province as a whole but large areas, both in 1948 and 1949, have suffered severely from drought.

6. The development on the Prairies of grain growing for export has been a matter of national policy since Confederation, a policy which included both the building of railways and the regulation of freight rates on grain for export.

Confederation itself had that development as one of its central objectives, as shown by Dr. Creighton in his study of **British North America at Confederation.***

Professor Chester Martin describes the development of railway and land policies to carry out this national purpose, as follows:**

> "But if 1870 marked the end of one epoch it also marked the beginning of another. The westward expansion of the new Dominion was a 'national necessity', and it could be brought to pass only by policies truly national in their scope. It was determined to retain the public lands as a national appanage to be 'administered by the Government of Canada for the purposes of the Dominion'. This applied to the new province of Manitoba as well as to the territories beyond. The twin problems of railways and settlement could be solved by no other expedients at that time. These were 'good and sufficient reasons of public policy', and they have never been disputed; but the process had consequences that could scarcely have been foreseen. It transformed the Dominion from a federation of equal provinces into an empire with a quarter of a continent of 'Dominion Lands' under direct federal administration. For sixty years this vast domain was 'administered by the Govern-

*Appendix 2 of *Report of Royal Commission on Dominion Provincial Relations*, pp. 31, 42, 48, 89.

**Preface to *Dominion Land Policy*, Page 196, Vol. II, of *Canadian Frontiers of Settlement*, The McMillan Company of Canada, 1938.

ment of Canada' until the historic 'purposes of the Dominion' were fairly achieved, so far as public lands could help to achieve them."

The vigorous immigration policy based on land grants pursued by the Government of Canada and the encouragement of railway building both by the Dominion and by Provincial Governments are too well known to need description here. Soon after completion of the Canadian Pacific Railway in 1885 it became apparent that railway rates as well as railway building required attention.

Dissatisfaction with high rates led to the chartering of other lines by the Province of Manitoba, and, in 1901, to an agreement with the Canadian Northern Railway, under which the Province was to have the right to fix rates on the Company's lines between points in Manitoba and Port Arthur. That was to result in important reductions in rates on grain, which continued for some fifteen years.

7. It can be understood, therefore, how important the question of freight rates on grain appeared to the Government of Canada in 1897. In that year, it made freight rates on grain part of its agricultural policy, when it entered into the Crow's Nest Pass Agreement, an important consideration of which was the undertaking by the Canadian Pacific to reduce existing rates on grain by three cents per hundred pounds and that these reduced rates should thereafter be maximum rates. That agreement was confirmed by Act of Parliament.* The policy thus inaugurated was emphasized in 1903, when the Board of Railway Commissioners was first established. Freight rates on grain, having come under Parliamentary control, were deliberately excluded from the jurisdiction of the Board.

---

*The same agreement also covered reductions on certain commodities shipped into Western Canada, considered to be particularly important to settlers. Rates on such commodities were eliminated in 1925 from the statute and were placed under the jurisdiction of the Board of Railway Commissioners. When that was done a clear line was drawn between the export grain rates in question and all other railway rates.

In 1919, to meet what was considered a temporary emergency arising from war-created conditions, the Railway Act was amended to extend the jurisdiction of the Board to all rates. Temporary increases in grain rates resulted. However, it was provided that this suspension of the Crow's Nest grain rates should be for three years only. This fact emphasized a continuing national policy of keeping these grain rates under statutory control. This policy was again confirmed in 1922, when Parliament provided for an immediate reversion to the Crow's Nest rates.

This national policy was once more confirmed and was strengthened by the further amendment to the Railway Act of 1925, which has stood unchanged since then. By it, all other freight rates were put under the jurisdiction of the Board of Railway Commissioners, now the Board of Transport Commissioners. But it provided that rates on grain and flour should be governed by the provisions of the agreement and should apply to all such traffic from all points on all lines west of Fort William to Fort William. At the same time Sub-Section 6 was enacted. In effect it insured that export rates on grain to Pacific ports would be established and maintained on a basis corresponding to that applying to the lakehead.

The fact of a definite and continuing national policy on export grain rates is thus established. The reason for it is to be found in the national policy of developing the Prairie area of Western Canada on the foundation of an agriculture producing grain for export. Its justification is to be found in history, and the vast contribution which Western Canada has made to the economic life of Canada.

8. The extent to which the development on the Prairies of grain growing for export has been a matter of national policy, and the importance of that development to Canada

is aptly set out in words of the Royal Grain Inquiry Commission report of 1938.*

> "It has abundantly been shown in this report that in the past no commodity has contributed more than wheat to the wealth and the export trade of the country. The settlement of Canada's prairie regions was from 1870 onwards a fixed principle of Canadian policy. It will be found in an Order-in-Council of Sir John A. MacDonald's Government of May 30, 1884, and was formally adopted and reiterated by Sir Wilfrid Laurier on February 21, 1905. Through all the years and down to recent times great efforts were made to induce the flow of population to those territories. In the last years of the World War, when the world was said to be facing the prospect of famine, propaganda was conducted under government auspices urging our farmers into the greatest possible production of wheat. These lands were again selected for soldiers' settlement after the war."

9. The whole development of Western Canada, based as it was upon an agriculture producing grain for export, has taken place against the background of the policy just described. Approximately two and one-half million people have now settled in that area, the great majority of whom are there because of the growing of grain for export. Every farmer who took up land by homestead or purchase was encouraged to do so by the assurance of Parliamentary regulation of grain rates. A quarter of a million grain producers have an investment valued at more than two billion dollars. Every man who set up business in Western Canada was entitled to make his plans in the knowledge that the Government of Canada, by its policy on grain rates, was determined to foster the business of grain production upon which the whole prosperity of the West was to depend. The policy began with the agreement between the Government and Canadian Pacific. It has developed over the years and is today regarded by Western agriculture as having estab-

---

***Report of the Royal Grain Inquiry Commission*, 1938, p. 189.

lished an assured right to Parliamentary control upon which producers of grain may rely with confidence.

10. There are other reasons why this national policy with respect to grain rates should not be disturbed. These are found in the peculiar position of the Prairie grain producers in relation to the transportation of grain over hundreds of miles to terminal markets. They obtain no benefit whatever from factors which exercise a controlling or regulatory effect in other areas, such as water competition, which plays an important part in the regulation of freight rates in the central parts of Canada; truck transportation which is becoming more and more a competitive factor with respect to the movement of other goods; and other forms of competitive transportation.

Producers of grain have no protection whatever from the general principle of railway rate-making in accordance with "what the traffic will bear." As Canadian Pacific says, the principle is "more correctly stated as being one of charging no more than any type of traffic will bear."

Undoubtedly in a great many cases, and quite possibly in the majority of cases, the principle of "what the traffic will bear" does provide protection against excessive railway rates. An exception, however, exists in respect to export grain rates to the lakehead and to Pacific Coast points, and in that fact lies one of the most important reasons for statutory restriction of such rates. With respect to other commodities this principle establishes an upper limit to what may be charged, or otherwise the traffic will not move. It is not so with respect to grain.

So far as Western grain is concerned, it must move to export points, almost regardless of the rate. Farmers on the Prairies, taken as a whole, must produce grain for export if they are to farm at all. They have no alternative to accept-

ing both the export price available at points of export, and the prevailing cost of transportation to such points.

Grain export must go on whether the net return to the farmer is high or low. He must, and will, sell his grain so long as the price to be realized at the point of export provides a margin, however small, over the cost of getting it there. So long as the farmer remains on the land the Western grain movement would not be brought to a halt even by preposterously high rates, just as it was not brought to a halt when disastrously low export prices prevailed, as for example, during 1931 and years immediately following. The Western grain farmer finds no protection whatever in the principle of "what the traffic will bear."

11. While we have stressed the relation of the Crow's Nest Pass grain rates to national agricultural policies in Canada, we also attach importance to the fact that these rates were first established by agreement. We believe Canadian Pacific is still bound to carry out the terms of that agreement.

The Company voluntarily entered into the agreement of 1897, and we have no doubt in good faith and with a full knowledge of its implications. In addition to a substantial subsidy, it obtained what has since become an effective railway monopoly in a part of Western Canada where its line has become valuable because of the amount of originating business, particularly in relation to mineral development. The agreement resulted in grants of lands and mineral rights. In return, the Company agreed to maintain permanently a definite limit to the level of grain rates. The agreement was confirmed by statute and only by clear and definite Act of Parliament can the Company be relieved of its terms. We join with those who maintain that the agreement is still in full force and effect and that Canadian Pacific is bound by its terms until relieved therefrom by

the other contracting party. During the debates in the House of Commons in 1922, the then Prime Minister of Canada, the Rt. Honorable W. L. Mackenzie King, stated: "Unless it can be shown that in the public interest there are good and sufficient reasons why, what is termed the Crow's Nest Agreement of 1897 should not again become operative in July next, the existing statute will not be interfered with." We submit that no evidence is before your Commission that it is in the public interest of Canada that an agreement which so vitally concerns a large and important part of Canada should be disturbed.

In fact, Canadian Pacific, on Page 160 of its Submission, states that, in advocating the repeal of the provisions of the Railway Act relating to rates on grain, it "cannot be accused of seeking merely to avoid a contractual obligation." On the same page it states that between 1903 and 1917 the reduction brought about by the agreement was probably in large measure borne by Canadian Pacific. (This is to ignore the fact that between 1902 and 1917 the agreement was inoperative because of lower rates resulting from the Manitoba agreement with the Canadian Northern Railway). On the following page, however, it states that since 1922 "the probability is that the greater burden imposed by the low level of these rates has fallen upon shippers and consignees of other traffic." It then proceeds to show that in the 21 per cent case, the Board found a deficiency in revenue of the Company at something more than 30 million dollars, and that if this additional revenue had been derived by an increase in rates on grain traffic, as well as on other revenue traffic, the resulting increase would have been 18 per cent instead of 21 per cent.

Very little evidence, however, has been submitted to your Commission to show that this difference of three per cent is a matter of concern to other interests in Canada. As

applied to the greater majority of rates, the difference would be very slight as compared with the additional levy which would have resulted to grain producers in Western Canada if grain rates had been increased by 18 per cent. However, on Page 55, Canadian Pacific itself gives an answer to the claim of a burden on shippers or consignees of other traffic. It says: "the incidence of freight charges is on the economy as a whole," and "that it is totally impossible to draw lines on the map or to establish distinctions between groups or individuals, and to assert that this area, that group, or a certain type of individual is more burdened by transportation costs than is some other." In a later section of this Submission we show that while that statement may be true of freight rates generally, it does not apply in Western Canada to rates to water level on grain for export.

12. In considering the relationship of freight rates to Western agriculture, it would be well to remember that the depression of the '30's remains vividly in the memory of Western farmers. The impact of that depression was in large measure increased by the fact that Western agriculture suffered from a period of both low prices and low yields. If during that period of acute distress the position of Western farmers had been further impaired by higher freight rates, either many farmers would have been driven from the land or a much greater percentage of their debts would have had to be written off.

It is true that since 1939, due to better crops and better prices, the financial position of Western farmers has been greatly improved. However, anyone familiar with the history of Western Canada knows that in comparatively large areas periods of drought conditions, extending over several years, do recur as well as periods of low prices. The unrest which inevitably occurs in such periods will undoubtedly be aggravated if producers of grain must bear a larger

deduction from their returns because of considerably increased grain rates.

13. It may well be largely true that in respect to the majority of freight costs, the incidence is, as Canadian Pacific says on Page 55, upon the economy as a whole. To the extent that this is so, freight costs are indirect, and an increase might be described as an indirect levy. In respect however, of the export grain rates in question, the incidence, as already stated, is upon the producer. Any increase in them would constitute a direct levy, not only paid by the producer but one of which he would be acutely conscious every time he received a settlement for his grain. There is no fact better known to the Western grain producer than the freight rate on grain from his shipping point. Probably no parallel situation exists in respect to any other freight rates in Canada.

14. This concludes our direct submission in support of continued statutory regulation of grain rates and incidentally our reply to the argument of the Canadian Pacific, at Page 188, that "in fairness and equity these rates should be regulated in the same way and by the same tribunal as rates on other traffic."

To abandon the principle of statutory regulation, and to put Western export grain rates under the jurisdiction of the Board of Transport Commissioners would be to leave the Western farmer defenceless against demands for higher freight rates. He could not plead before that body the need for a national agricultural policy to sustain grain growing in the Western Provinces. To do so would be vain if Parliament had abandoned its long-continued national policy in that respect.

The Board of Transport Commissioners is a body charged with the duty of administering and not of framing national policies. It can only be assumed that, if the present

statutory regulation of grain rates is abandoned, higher freight rates would be imposed.

We can now turn to what Canadian Pacific itself has said for convincing evidence as to why grain rates, instead of being placed under the jurisdiction of the Board of Transport Commissioners, should continue to be the concern of Parliament. On Page 61 it says:

> "The principle upon which rates are made today by Canadian railways is that the ceiling for all rates is fixed by the Board of Transport Commissioners in determining the over-all level of rates. Below that ceiling the railways are free to set rates which do not result in undue preference or unjust discrimination."

This makes it abundantly clear that the Board of Transport Commissioners, as an administrative body, is not in a position to apply considerations of broad national policy, such as, in the past, have moved Parliament in its dealings with the question of grain freight rates.

15. Having discussed the principle of statutory regulation of these grain rates it might, under other circumstances, have been incumbent upon us to deal with the actual level of the rates. Since, however, your Commission has decided not to investigate as to whether or not the rates are compensatory, we feel we should not attempt to discuss their adequacy or to deal with implications that rates at their present level constitute a subsidy to Western agriculture. As the Chairman stated on December 2, the matter is of a very contentious nature, and we, of course, do not admit that the rates are inadequate. Similarly, we shall not comment upon suggestions made by other interests to the effect that although the rates presumably should be maintained at present levels, the railways should receive a subsidy to enable that to be done. There are, however, certain general arguments advanced by Canadian Pacific which

we feel both can be answered under your ruling, and should be answered.

16. Canadian Pacific seems to attach some importance to what might be called the "lapse of time" argument. It is stated as follows on Page 162:

> "It seems obvious that if the rates on grain and grain products obtaining in 1899 and subsequently were just and reasonable, they must now be unreasonably low having regard to the increased cost of railway operation and the increase in prices of grain since that time."

And on Page 164 as follows:

> "It should be remembered that existing freight rates on export wheat were established at a time when they were considered to be appropriate in relation to a price of wheat of approximately 70 cents per bushel."

It may be true that the existing freight rates were first made effective in 1899, when the price of wheat was approximately 70 cents per bushel, but there is no evidence at all that they were considered just and reasonable at that time or in relation to that price. The Crow's Nest Agreement had been made, and the Act passed, in 1897, when, as Canadian Pacific shows on Page 100 of the Appendix to Part I of its Submission, the average price of wheat, instead of being 70 cents per bushel, was 99 cents. The price had previously been higher. To the extent, however, that one-year's price may have been in the minds of either the Government or Parliament or of the Railway when the pact was made and confirmed, the price was 99 cents and not 70 cents. Far from being considered just and reasonable two years later, grain rates were then under criticism as being unreasonably high. Shortly thereafter, that criticism was to lead to a considerable reduction as a result of the agreement between the Province of Manitoba and the Canadian Northern Railway, as already mentioned in Section 6 hereof.

If "lapse of time" is to be invoked, however, the year of comparison should be neither 1897, when the Crow's Nest rates were agreed upon, nor 1899 when they were first made effective. During that period grain traffic was extremely small in relation to the size it was soon to attain. Comparison should rather be with the period 1922 to 1925, in each of which years Parliament took action to restore or to confirm the rates. In 1922, if Parliament had in mind any range of prices it would have been one averaging well above $2.00 per bushel, which had prevailed during the period 1916-1921. In 1925, Parliament presumably would have had in mind a price range in the neighborhood of $1.50 per bushel, such as prevailed during the period 1924-1928. It is quite evident, therefore, that to the extent prices were considered at all, Parliament regarded, both in 1922 and in 1925, a level of grain rates as being just and reasonable in relation to prices which compare favourably with prices now prevailing or which may be anticipated.

As is well known, for the five year period to end on July 31, 1950, Western farmers are being paid on the basis of $1.75 for their wheat, basis No. 1 Northern in store lakehead and Pacific Coast terminals, very much more than they received during the five year period commencing in 1930. No such prices are guaranteed for the future. The International Wheat Agreement, recently signed, provides a maximum basis of $1.80 per bushel, in terms of Canadian currency of the value in March, 1949. The minimum prices, however, which it provides, commence on a basis of $1.50 per bushel, and are scaled down annually until a level of $1.20 per bushel is reached for the crop year 1952-53. In such figures is to be found a concensus among experts of the great countries interested in wheat that present levels of wheat prices will not be maintained.

Freight rates on grain in Western Canada have not been related even approximately to the prices of grain. Con-

trolled as they are by factors such as export demand, world stocks and the competition of other areas, prices of wheat vary greatly over any period of years. In 1932 when wheat fell below an average for the year of 55 cents per bushel, producers on the Prairies paid as high a freight rate as during previous years of prices at $1.50 or more per bushel. As pointed out in a previous section, the vulnerability of Western agriculture to wide variation in price and to recurring periods of drought is one of the strongest reasons for leaving control of grain rates to Parliament as part and parcel of its national agricultural policy.

17. Canadian Pacific, in its criticism of the Crow's Nest grain rates, lays a good deal of stress upon comparison with grain freight rates prevailing elsewhere, especially in the United States. It has generally been held that rates south of the border, under much different conditions there prevailing, cannot be used to judge the propriety of rates in Canada.

> "Rates as arrived at in the U.S.A. are not the criteria of reasonable rates in Canada, unless the circumstances in both cases are on all fours." (Riley vs. Dom. Express Company, 17 –C.R.C., 112 p. 115).
>
> "As I construe the Railway Act, the Board must find its criteria of the reasonableness of the Canadian Rates within Canada." (Manitoba Dairymen's Assn. vs. Dominion and Canadian Northern Express Cos., 14 C.R.C., p. 149).

Circumstances in the United States are not on all fours with those in Canada. It would be impossible to draw useful conclusions from a comparison with the United States without exhaustive and exacting study of various factors, such as, to quote but a few:—

(a) Relative importance of domestic and export trade in grain.

(b) Incidence of the freight rates on grain in each country.

(c) Marketing methods and the extent to which national policies in each country assure farmers of reasonable floor levels.

(d) Price structure in each country and the effect thereon of milling demand in establishing special quality premiums, as, for example, in connection with protein content.

(e) Relative production of spring and winter wheat areas, and the percentage of each sold for export or domestic consumption.

(f) Relative general levels of freight rates.

(g) Relative distances from points of production to water level.

(h) General differences in the economies of the two countries and in the operating problems of their respective railways.

There are, however, some points of contrast which are generally known and may be stated with reasonable accuracy.

Nowhere else in the world has there been deliberately and purposely developed an export agriculture so handicapped as that of Western Canada by long haul rail transportation to ports where cheap water transportation is available. Development of the great plains of the United States where grain is chiefly grown was not principally based on export. It came about concurrently with, and as a result of the general development of the United States. It was primarily based upon domestic markets where prices are frequently higher than those available for export. It has a population of 150 million to provide directly and indirectly, a domestic market for grain and grain products, as compared with a population of 13 million in Canada. It

has a level of national wealth much beyond that of Canada with which to put into effect policies of price support.

So, a glance at the table of wheat prices in Canada and in the United States at Page 100 of Canadian Pacific's Appendix will show that during recent years farmers south of the border have been getting much more for their wheat than have Canadian farmers, a difference more than sufficient to enable them to absorb any difference in freight rates.

Canadian Pacific at Page 168 has called attention to large acreages and production of wheat in the United States during recent years, in spite of higher freight rates there. The large crops have been mainly due to weather conditions. Acreage increases have been mainly due to the high prices prevailing in the United States, and in any event, they have taken place mainly, not in the spring wheat states of the Union, where freight rates have been quoted, but in the winter wheat area farther south. That area is subject to entirely different conditions as to length of rail haul and as to markets.

During recent years, agricultural policy in the United States has been devoted to maintaining farmers' income. For example, instead of allowing that to be restricted by prices set under international agreements, the Government of the United States by loans on grain and by other means, has maintained open market prices at high levels. It meets its obligations under the International Wheat Agreement by subsidizing wheat exports at rates up to 50 cents per bushel. In recent years farmers there have been protected by a program of parity prices such as Canada could probably not support.

Thus, the Government of the United States has been following an agricultural policy appropriate to the circumstances of that country, while, in this country, a national

agricultural policy suitable to the circumstances of Canada has been followed.

Canadian Pacific at Page 44 declares that Western Canada has held its population more effectively than the parallel area to the south. This is intended to demonstrate that development in Western Canada over the years has been more satisfying than in the spring wheat states of the Union. Might it not be said that one reason at least for that fact must be found in the long term national agricultural policy respecting grain freight rates which has prevailed in Canada, and on which the economic structure of Western Canada has largely rested during the past quarter century?

18. By way of summary, our position is that continued Parliamentary control of export grain rates in Western Canada to the lakehead and to the Pacific Coast is necessary. That fact arises from the special nature of the business of growing grain for export and from its relation to the economy of the West and to that of all Canada. There are further important considerations, including the fact that the wheat growing industry is vulnerable to world conditions beyond Canadian control. The grain rates in question are a direct levy upon the farmer which he is incapable of transferring to others. Those rates are not, and cannot be, held down by the influence of competition from other forms of transportation or by the influence of the principle of "what the traffic will bear," both of which are highly important in connection with other freight rates. The development of the grain growing industry and of the Prairies generally has been a matter of continuing national policy. Such policy, first covered by a solemn contract willingly entered into by Canadian Pacific has been embodied in legislation passed and repeatedly confirmed by Parliament. To abandon statutory control and to place

these rates under the jurisdiction of the Board of Transport Commissioners would be to prevent their regulation according to the principles of a national policy which has been the basis of the development of Canada for half a century.

We submit, therefore, that your Commission should recommend no change from the present status of the Crow's Nest Pass grain rates.

J. E. BROWNLEE,
President.

UNITED GRAIN GROWERS LIMITED.

WINNIPEG, MANITOBA,
January 15, 1950.

Appendix I

UNITED GRAIN GROWERS LIMITED

From	**Freight Rates in Cents per 100 Pounds — To Fort William Port Arthur	To Vancouver
Winnipeg	14	
Portage la Prairie, Emerson, High Bluff, Selkirk	15	
Brandon	16	
Rapid City	17	
Deloraine, Virden, Miniota, Russell	18	
Estevan, Indian Head, Yorkton	19	
Regina	20	
Humboldt, Assiniboia, Semans	21	
Saskatoon, Asquith, Melfort	22	
Biggar, Prince Albert, Rosetown, Maple Creek, Duck Lake	23	
*Medicine Hat, Lloydminster, *Manyberries	24	23
*Dulwich	24	24
*Lethbridge	25	22
*Cecil	25	23
*Hardisty	25	24
*Calgary, Edmonton	26	20
*Drumheller, Stettler, Vegreville	26	22
*Camrose	26	21
*Red Deer	27	22

*While most of the wheat from Alberta points is shipped by way of Vancouver, other grains from Alberta are mainly shipped through lakehead terminals.

**Freight rates on flaxseed are higher by 1½ cents per 100 lbs. than on other grains and grain products.